



Indonesia Newsletter

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INDONESIA'S FIRST QUARTER EXPORTS GROW BY 31.7% : A resource-based commodities boom has boosted the country's export figures in the first quarter of this year by 31.7 percent. The latest data from the

Indonesian Central Bureau of Statistics (BPS) reported that Indonesia's exports climbed to US \$33.6 billion in the first quarter of 2008 from US \$25.5 billion in the same period last year thanks to a surge in crude oil prices. Oil and gas exports in the first three months of 2008 reached US \$7.3 billion, or a 61.8 percent increase compared to the same period last year. Non-oil and gas shipments, on the other hand, still dominate the country's total exports with US \$26.2 billion in the first three months, or 24.83 percent up from in the same period last year. Crude palm oil (CPO) is still the major contributor to the rise in the country's exports, recording a 47 percent increase to US \$4.4 billion in the first quarter of this year. BPS also reported that imports surged by 88 percent compared to the first quarter of last year to US \$29.4 billion largely due to the country's reliance on foreign oil and fuel intakes. During the January to March period, the biggest non-oil and gas imports came in the form of electrical devices and machinery, with combined value of US \$3.29 billion, or accounting for 14.7 percent of total non-oil and gas imports. Japan took the lead as the country's biggest import provider during the first quarter of this year, recording a trade value of US \$3.8 billion, followed by China with US \$3.2 billion and Singapore with US \$2.7 billion. Japan also holds the position as Indonesia's biggest export destination for non-oil and gas products in the same period with a value of US \$1.04 billion, followed by the U.S. with US \$970 million and China with US \$852.9 million.

REGIONAL INVESTMENT FORUM TO ATTRACT INVESTOR FOR RI'S DEVELOPMENT : Indonesian President, H.E. Mr. Susilo Bambang Yudhoyono is set to open a regional investment forum in late May, designed to attract foreign and local investors in development projects across the country. The Indonesian Regional Investment Forum, which will take place at the Ritz-Carlton in the Sudirman Central Business district in South Jakarta on May 26 and 27, is expected to secure at least US \$6 billion. The forum leader, Tony Gourlay said that so far, more than 50 regions have registered to participate in the forum. A region must present three or more feasible projects worth a total of at least US \$50 million to participate in the forum. The projects will cover a range of areas, including agribusiness, plantations, biofuel, infrastructure, mining, power, oil, gas, property and tourism. More than 500 foreign and local investors are scheduled to attend the forum and channel funds to provinces, cities or regencies. Irman Gusman, the forum's chairman and deputy speaker of the Regional Representatives Council said that forum would enable investors to discuss the projects directly with leaders of provinces, cities and regions. According to the Indonesian Investment Coordinating Board (BKPM), total foreign direct investment in Indonesia between January to September last year reached Rp 125.94 trillion, an increase of almost 170 percent from Rp 74.51 trillion in 2006. Investment is estimated to have grown by 9.5 percent in the first quarter of this year from Rp 40.9 trillion in the same period in 2007, according to the Finance Ministry.

INVESTMENT IN FIRST QUARTER RECORDED 80% INCREASE : The Head of the Indonesian Investment Coordinating Board (BKPM), Muhammad Lutfi stated that Indonesia recorded an 80% on-year increase in actual investment in the first quarter of the year. Investment in telecommunications, pulp and paper projects accounted for the largest portion during the January-March period. Based on official data at BKPM, implemented investment projects were valued at US \$14.4 billion in 2007, up 71.69% from the previous year. In the first quarter of

2008, the value of implemented projects shot up 80% from US \$4.48 billion in the same period last year. The data recorded by the board excludes investment in oil, gas, mining, and financial sectors. Lutfi predicted that the country's investment sector will grow 15.2% this year. Rising prices of primary commodities will contribute to the investment growth.

TEXTILE EXPORTS TO REACH US \$11.8 BILLION : The Indonesian government has set a record textile exports target for 2009 of US \$11.8 billion, achievable because of industry restructuring. Indonesian Minister of Industry, Fahmi Idris said that the textile industry was one of the government's priorities, which could be seen by the government efforts to help finance the restructuring. Fahmi Idris added that over the last 10 years, the industry has consistently added an average US \$5 billion surplus to the export earnings. The industry could employ 1.62 million people in the next two years. Last year, textile exports generated US \$10.03 billion in foreign exchange income, up 6.13 percent from US \$9.445 billion in 2006. This year, textile exports are estimated to reach US \$11 billion. With assistance from the government, the country's labor-intensive textile industry is presently restructuring to boost its global market competitiveness. The global market is currently dominated by Chinese producers. Recently, the Indonesian government launched phase two of its textile industry revitalization program, which includes Rp 266 billion (US \$30.6 million) in subsidies for upgrading machinery and a Rp 45 billion interest rate subsidy.



COTTON PLANTATIONS TO DOUBLE IN 2009 :

The agriculture ministry recently stated that cotton plantations in the country are expected to double in 2009 from 20,000 hectares this year. Plantation Director General Achmad Mangga Barani said that farmers will be encouraged to grow cotton with free high quality seeds to be provided by

the government. Barani said that the government will also set a more attractive purchasing price of cotton from farmers and provided subsidized fertilizer. Annual imports fluctuated between 454,000 and 760,000 tons or 99.5% of the total requirement of the country's textile industry. Cotton seeds are already available including through imports from China. Three companies already agreed to finance development of cotton plantations in cooperation with farmers.

LNG EXPORTS TO INCREASE BY 6.3 PERCENT IN 2008 : Indonesian State-owned oil and gas company, PT Pertamina said that Liquefied natural gas exports will likely increase 6.3% to 22.1 million metric tons this year from 20.8 million tons last year. Pertamina's vice president Iin Airifin Takhyhan said that a higher LNG export volume is expected this year due to rising gas output from Total SA's Mahakam gas block in East Kalimantan. Output from the block is delivered to the Bontang LNG plants, which are operated by Pertamina. Takhyhan said that of the total 22.1 million tons expected this year, 19.6 million tons will likely come from the Bontang plants and the remaining 2.5 million tons from the Arun processing facility in Aceh. Indonesia has been struggling in recent years to meet its commitment to ship LNG to offshore buyers due to declining gas output.

RI TO CUT CPO EXPORT DUTY TO 15% : The Indonesian government will cut the crude palm oil (CPO) export duty for May to 15 percent, on a decline in the commodity price in the international market. In April, the duty was set at 20 percent, up from 10 percent a month earlier, after the international price of CPO in March stayed above US \$1,200 per ton, reaching a high of US \$1,395 per ton. The calculation for the export duty for the coming month is largely determined by the average price of CPO

in the previous month. Under the ministry's co-called "progressive" export duty, CPO with a price of between of between US \$1,100 and US \$1,200 per ton will be charged a duty of 15 percent per ton. The duty will increase to 20 percent if the price is between US \$1,200 and US \$1,300, and to 30 percent if the price exceeds US \$1,300 per ton. According to the Central Bureau of Statistics, exports of CPO and its derivatives fell by 34.85 percent to US \$1 billion in February from US \$1.6 billion in January. However, the Indonesian Palm Oil Association predicts that for full-year 2008, CPO exports will increase by around 27 percent. The association says the country will produce 18.4 million tons of CPO this year, with 4 million tons set to be consumed domestically, mostly as raw material for cooking oil. Around 300,000 tons will be used in biodiesel projects, while the remaining 14 million tons will be exported.

RI TO STOP IMPORTS OF USED MACHINERIES : The Indonesian government will stop importing used machineries starting on January 1, 2009 to boost the development of the engineering industry in the country. The Director General for Metal, Machinery, Textile and Multifarious Industries at the Industry Ministry, Anshari Bukhari stated that the government's policy on used machinery imports will be reviewed. The import of used machines will be stopped in 2009, meaning that the imports will be put to an end in December. Data of the ministry showed that in 2007 Indonesia's total machine imports had reached US \$8.1 billion, and 20 percent of which were second-hand machines. Indonesia had been importing machines from China, Australia, Malaysia, the United States, Japan and South Korea. Indonesia's machine exports reached only US \$1.4 billion in 2003 and US \$3.5 billion in 2007.



RI TO ISSUE REGULATION ON RICE EXPORT : The Indonesian government through the Ministry of Trade, will soon issue a decree to regulate rice exports. Indonesian Trade Minister Mari Elka Pangestu said that the decree would ban export of rice conducted by any party

other than the National Logistics Agency (Bulog). The minister said that Bulog could carry out rice exports only if there was a surplus in rice production. The government is planning to export rice as this year the country is expected to experience a rice production surplus of over 1.30 million tons. Director General for Food Crops, Sutarto Alimuso said that recently production in 2008 was estimated to reach 58.26 million tons of dry unhusked rice or equivalent to about 33 million tons of rice. If the population was 227.78 million with a per capita rice consumption of 139.15 kg, the national need for rice was about 31.68 million tons. The Director General added that this year would be a rice surplus of about 1.30 million tons, excluding year-end left-over stocks in the warehouses of Bulog and rice stored by the people. Indonesia's dry unhusked rice production this season is estimated at 19.3 million tons. The 19.3 million tons will come from harvests on a total of 4.12 million hectares of paddies in West Java, Central Java, East Java, Banten, South Sulawesi, West Nusa Tenggara, Lampung and South Sumatra provinces.

KRAKATAU STEEL TO TEAM UP WITH ANTAM TO BUILD STEEL PLANT : Indonesian State-owned PT Krakatau Steel is teaming up with PT Aneka Tambang (Antam) to build a steel plant in South Kalimantan with a total investment of US \$60 million. Krakatau's president director Fazwar Bujang said that the joint venture was the follow up to a memorandum of understanding signed by the two companies. In phase one, the plant will have a capacity to produce direct-reduced iron bars from 315,000 tons of iron ore, which will be used by Krakatau's plant in Cilegon, Banten province. The construction may start in November this year and will be operational by 2010, with the plant would be named as PT Meratus Jaya Iron & Steel. According to Fazwar, the 66 percent

of the ownership will belong to Krakatau steel while 34 percent to Antam. In the longer term, the plant had potential to be developed into an integrated steel production facility with a total annual production capacity of one million tons through the expansion of downstream products. The project could also be integrated upstream with the development of ore mining. The long-term expansion proposal is still at the feasibility study stage with Krakatau steel and due for completion by the end of 2009. The total production capacity of Krakatau Steel currently is up to 2.5 million tons yearly. Krakatau Steel's president commissioner Taufiqurrahman Ruki said that the project was part of an effort to increase the production capacity up to five million tons per year, as well as to stimulate the economy outside Java.

KIMIA FARMA PLANS TO BUILD US \$100 MILLION PLANT

: Indonesian state pharmaceutical company PT Kimia Farma plans to build a US \$100 million plant this year to help reduce its dependency on imported raw materials. President director Sjamsul Arifin said that 98 percent of the company's raw materials were still imported. PT Kimia Farma only have several small-sized plants to produce raw materials for medicine and want to add capacity by setting up a new plant outside Java because of the abundant resource availability. The firm is still undecided on the location of the new plant. To help finance the construction, Sjamsul said that Kimia Farma was negotiating with investors from China and India. The plan is subject to the government's approval. Sjamsul added that the firm was optimistic that the company can reach the target as the company have forecast the local pharmaceutical market to grow by 9.1 percent this year. The company's sales are expected to increase by 16.74 percent. In 2007, Kimia Farma recorded sales of Rp 2.3 trillion, with some 60 percent coming from nongeneric medicine and the remainder from generics.



RI'S PT. PAL TO BUILD CONTAINER SHIP : Indonesian state-owned shipbuilding company PT PAL Indonesia has received orders from a Thai shipping company for four container ships measuring 50,000 deadweight ton (DWT). The order from Thoresen Thai Agencies (TTA) is worth US \$180 million, PT PAL General Engineering and Maintenance Director Herbad Noviano stated. Herbad said that the construction of the ships was to be completed in 2010-2013, adding that work could not start at once for the orders as PT PAL had to honor contracts made earlier with other customers.

WEST SUMATRA TO EXPORT TUNA TO US : West Sumatra is to export, for the first time, 30 tons of tuna fish to the United States through Padang's Bungus ocean fishing port at the end of April. Yosmeri, head of the provincial marine and fisheries office said that PT Dempo has been assigned to conduct the fish export has expressed its readiness, and the company now only needs to prepare a 40-foot container for the purpose. Yosmeri added that so far, four fishing boat owners had expressed their readiness to catch tuna fish to meet the US demand. The four fishing boat owners were part of 58 national business people who had expressed their readiness to catch tuna fish to meet the US demand. The four fishing boat owners were part of 58 national business people who had expressed preparedness to catch good quality tuna fish and export it from West Sumatra. Yosmeri also added that to accommodate sea fishery activities in West Sumatra in the near future, the province needed to build docking facilities for boats of more than 100 gross tons whereas the existing facilities were only for boats of 30 gross tons.

REFINERS MAY BUY 1.9M TONS RAW SUGAR IN 2008 : Sugar refiners in the country may buy 19% more raw sugar this year as demand increases. Yamin Rachman, executive director of the Indonesian Refined Sugar Association said that Refiners may buy 1.9 million metric tons of raw sugar to make 1.8 million tons of

refined sugar this year, more than 1.6 million tons bought last year for 1.44 million tons. The Agriculture Ministry stated that white sugar output, processed from canes harvested by the country's growers, may rise to 2.7 million tons in 2008 from 2.4 million tons last year. Output from farms is used for domestic household consumption, estimated at 2.7 million tons annually. Industrial users must import refined sugar or buy from local processors of raw sugar purchased overseas. Rachman added that consumption by all types of users may increase to 4.85 million tons this year. Food makers may directly import 350,000 tons of refined sugar this year. Indonesia is Asia's biggest importer of sugar.



RI TO GIVE FISCAL INCENTIVE TO 20 FORESTRY COMPANIES : The Indonesian government will give fiscal incentive to 20 Industrial Timber Estate (HTI) companies. The Government regulation 1/2007 regarding income tax for certain

business activity in certain areas regulates this incentive policy. Forestry Minister, Malam Sambat Kaban, said that these incentives are to encourage the timber industry in Indonesia. Kaban added that the ministry will give incentives to all timber groups, whether they are working in rubber, eucalyptus, acacia, or carpentry wood. The incentives are to be given to companies with land of 50,000 hectares and a minimum factory capacity of 60,000 tons per year. The incentive will be for two years, from when companies start planting. Kaban said that in future, it is targeted that between 7 and 9 million hectares of forest will be cultivated. The Indonesian timber industry has the potential to be a world player. If it can achieve between 7 and 9 million hectares, Indonesia will become one of the three largest timber players in the world. Currently, Indonesia is number 12.

PT LAJU PERDANA INDAH TO BUILD SUGAR REFINERY : PT Laju Perdana Indah plant to build sugar refinery with an investment of Rp2 trillion (US \$222 million) in South Sumatra. The factory, which will have an annual production capacity of 75,000 tons, would be built with 20,000 hectares of sugarcane plantations. The Indonesian Sugar Association (AGI) Chairman, Faruk Bakrie said that the new factory would contribute to the country's efforts to meet its annual sugar requirement of four million tons a year. Three prospective investors had been selected by the government and PT Laju Perdana Indah had been declared as meeting the requirements.

ANTAM TO BUILD ALUMINA PLANT IN WEST KALIMANTAN : Indonesia's state-owned mining company PT Aneka Tambang (Antam) is set to start construction of a US \$400 million alumina factory in Tayan, West Kalimantan. Based on the feasibility study, the cost of the project will rise to US \$400 million from an earlier estimate of US \$250 million. The exact figure is still being studied but it will increase to at least US \$400 million due to a surge in construction costs. Construction, due to start in the second half of the year, will be handled by PT Indonesian Chemical Alumina, a new company jointly owned by Antam, Showa Denko KK and Marubeni Corp. Antam President Dedi Aditya Sumangara said that the project is expected to be completed in 2010, and it will have a production capacity of 300,000 tons of alumina a year.

INCO TO START BAHODOPI NICKEL EXPLOITATION IN 2010 : PT International Nickel Indonesia (Inco) stated that it will start exploitation of nickel reserve in Bahodopi in the regency of Morowali, Central Sulawesi in 2010. The company is carrying out exploitations and studies in the area to determine the size of the reserve. The result of the study will determine the method of exploitation to be used. Inco already has large nickel mines and smelters in operation in the neighboring province of South Sulawesi.

CHINA AGREED TO TEAM UP WITH GPI ON COAL TRANSPORT JV : China's Ocean Shipping company (Cosco) has agreed to team up with PT Global Putra International (GPI) to establish a joint venture coal transport company with an investment of up to US \$1 billion. GPI chief executive officer Sumadi Kusuma said that the joint venture company would buy 8-10 ships for coal transport, mainly from Indonesia to China. A ship would cost around US \$50 million to US \$100 million, with a capacity of 50,000 tons - 100,000 tons.

PT PLN SIGNS POWER CONTRACTS WITH CHINESE FIRMS : Indonesian State power firm PT PLN signed two engineering procurement contracts (EPC) worth US \$888 million in total with two Chinese companies for the construction of two coal-fired power plants in East Java and Aceh. PLN signed the EPC contract for the 700-megawatt (MW) Tanjung Awar-awar power plant in East Java with a consortium of China National Machinery Equipment Corp (Sinomac), China National Electric Equipment Corp (CNEEC) and a local company, PT Penta Adi Samudra, with the contract estimated to be worth US \$642 million. PLN signed another contract worth US \$247.4 million for the 200-MW Nagan Raya plant in Nanggroe Aceh Darussalam with another Chinese company, Sinohydro Corp. PLN President director Fahmi Mochtar said that the projects were expected to be completed within 2 years, with the first unit of the plant starting commercial operation in October 2010, followed by the second one in January 2011. Both plants are part of the government's 10,000-MW power plant project, initially scheduled for completion by the end of next year, but the deadlines is likely to be extended due to financial problems. The program will see PLN build 10 coal-fired power plants with a total capacity of 6,900 MW in Java and 25 power plants with a total capacity outside Java. The program is targeted for completion by 2010. The program is aimed at raising the country's electricity provision, which currently stands at 56 percent. This means 45 percent of Indonesia's population still lives in the dark. Approximately 15 percent of financing for the Tanjung Awar-awar and Aceh plants will come from PLN equity, while the remaining 85 percent will come from credit commercials or global bonds. The head of the government's power sector development team, Yogo Pratama, said so far the company had secured 60 percent of the US \$8.3 billion needed to build the power plants under the government's 10,000-MW project.

OXIANA PLANS TO CONSTRUCT GOLD AND SILVER PLANT IN NORTH SUMATRA :

Australia-based Oxiana Ltd plans to spend US \$310 million this year to construct a gold and silver plant in North Sumatra. According to Oxiana general manager for external relations Bruce Loveday stated that the company has secured a contract of work (CoW) for the project as well as the approval for the project's environmental impact analysis, locally known as Amdal. The project, called the Martabe project, is located in North Sumatra's capital, Medan, and will begin construction in August, after the company secures a construction permit from the Energy and Mineral Resources Ministry. The plant is slated to start production at the end of 2009, with a total output of 200,000 ounces of gold and 2 million tons of silver. The area, with a size of 2,563 square kilometers, has a resource base of 6 million ounces gold and 60 million ounces of silver. Loveday added that the miner was also considering a partnership with Indonesian companies to expand its operation in the country, adding that negotiations with several local mining firms were underway. The company planned to offer a 5 percent stake to local governments, as stated in the CoW.



SAIPEM CONSTRUCTION FABRICATION YARD IN KARIMUN, RIAU ISLANDS : Italian-based turnkey oil and gas contractor

Saipem International has begun construction of a massive fabrication yard in Karimun, Riau islands, with total project investment of Rp 2.5 trillion (US \$271 million). During the launch ceremony of the ground-breaking facility, Saipem offshore general manager Yves Inbona said that the yard would be the company's largest production facility of its kind. Occupying some 140 hectares of land, the facility would have a production capacity of 30,000 tons of oil and gas related components. The production facility will be one of the company's largest. Products from here will be allocated for demands in Indonesia as well as for neighboring areas with the company expected the facility to start operations in 2010. Karimun Island was chosen to house the facility due to its free-trade zone status. The company, which plans to employ 5,000 workers, has requested local administration improve business infrastructure in Karimun, including highways, power capacity and ports to help boost the operations efficiency. Riau islands governor Ismeth Abdullah stated that the project signaled the revival of foreign direct investments in the province. In a bid to lure more foreign investment into the country, the central government is planning to grant Batam Island, Bintan Island and Karimun Island special economic status whereby various business facilities there will benefit from free-trade. Batam is located around 30 minutes from Singapore by ferry. Ismeth said that the administration decided to make karimun island a center for maritime business due to its deep water access that can accommodate large vessels, making it ideal to serve as a shipyard and offshore production facility.

CARDIG INTERNATIONAL TO EXPAND ITS BUSINESS IN BATAM

: Aviation service company Cardig International is planning to expand its business in Batam by spending US \$100 million to set up an aircraft maintenance facility at the island's Hang Nadim International Airport. Cardig president director Diono Nurjadin said that the firm planned to construct the facility in the middle of this year, to become operational next year. Nurjadin added that the company has a positive outlook for the facility because there are few local players in the industry with almost 50 percent of Indonesian airlines sending their aircraft maintenance orders overseas. The market for this business is still huge. Only five local companies are currently engaged in the maintenance business, including Garuda Indonesia, Dirgantara Indonesia and Merpati Airlines. Cardig, which also controls Mandala Airlines and aviation engineering firm JAS Engineering, has selected Batam as its base for the facility primarily because the island has sufficient airport infrastructure, including a 4,025 meter airstrip. The Hang Nadim airport serves about 2.8 million passengers annually, as well as 13 passenger airlines based at the airport. The airport will be able to accommodate Cardig's plan to construct an enormous workshop, which could house up to eight aircraft at the same time. Batam administration Dwi Djoko Wiwoho said Cardig had proposed to use 60 hectares of land in the vicinity of the airport for the facility.

SINGAPORE TO BUILD CACAO PROCESSING PLANT IN PALU

: A Singaporean company is interested in investing in Central Sulawesi by building a cacao processing plant in Palu. The investor from the city-state would come to Palu very soon to discuss his interest in setting up a cacao processing plant in the North Palu industrial zone. Arifin H Lolo, secretary of the Palu city administration said that Singaporean investor's plan would be of great economic significance to the local community as the cacao processing plant would obviously absorb large volumes of locally grown cacao and thus enable cacao farmers to increase their income.



RI'S RAJAWALI GROUP SIGNED COOPERATION AGREEMENT TO DEVELOP AIRLINE

: Indonesia's Rajawali Group recently signed a cooperation agreement with the Cambodian government to develop its national airline. Under the

agreement, Rajawali will build infrastructure facilities needed to develop the airline. As a follow-up to the agreement, both sides will set up a new company which will be 49 percent owned by Rajawali and 51 percent by the Cambodian government.

INDIAN INVESTORS MORE AGGRESSIVE IN COAL MARKET OF INDONESIA

: Indian investors are more aggressive in searching for coal mines in Indonesia to meet the needs of the country's energy sources. They are now competing to acquire coal producers from Indonesia. The Head of the Indonesia Coal Mining Industry, Jeffrey Mulyono revealed that India and China are the most persistent countries in finding coal. Investors from the two countries are in a race to find an alternative energy source resulting from the rising world oil price increase, which is now nearing US \$120 a barrel. Jeffrey added that the Indians mostly come to East Kalimantan. Based on the immigration records of East Kalimantan, the Indians who came to the province have increased two-and-a-half more in number, compared to two year ago. According to investment bankers, Indians are not only competing with the Chinese but also with the state electricity company (PLN), PT Timah and Bumi Resources. Last year, Tata Power acquired 30 percent of the shares of PT Kaltim Prima Coal and PT Arutmin that Bumi Resources Tbk, the largest coal producer in Indonesia, owns. Other Indian businesspeople followed by controlling other coal mining. Earlier this year, Star Emmons Resource acquired Bara Energy Makmur which possesses two blocs in Kalimantan. In fact, Tariq Raza Director of ETA Star India Project Ltd, mentioned that he will acquire four to five other coal mines. They will build a 1,200 megawatt-electric generating plant in Andhra Pradesh and Tamil Nadu, India. In March, Reliance Power purchased 100 percent of mining ownership in North Sumatera, believed to contain 2 billion tons of coal. Reliance Power relies on the new mining to support the power plant in Andhra Pradesh, India, which requires between 14 tons and 15 million tons of coal per year. Binani Group, a cement producer in India, was said eyeing PT Berau Coal, the fourth largest coal producer in Indonesia. In fact, other interested Indian companies included Anil Dhirubhai Ambani Group (ADAG) and JSW Energy. Other investors mentioned by several Indian media that are looking at coal mining in Indonesia include Coal India Ltd, Lanco Infratech Ltd, Madhucon Projects Ltd, PTC India Ltd, MMTC Ltd and Infrastructure Ltd.



INDIA'S BINANI TO BUY INDONESIAN COAL MINE FOR US \$100 MLN

: India's Binani group is in advanced talks with Indonesia's largest coal producer PT Berau to buy a coal mine for more than 4 billion rupees (about US \$100 million). The report said that the acquisition will help Binani feed its growing cement operations. PT Berau, a joint venture between PT Armadian Tritunggal, the Netherlands' Dan Rognar Holding and Japan-based Sojitz Corp., has coal mining operations in Indonesia with an annual coal production of about 40 million tonnes. The Indian cement industry requires 25 million tonnes of coal every year out of which 11million tonnes are imported.

BUMI TO UP OUTPUT TO 100M TONS A YEAR

: The country's largest coal producer PT Bumi Resources stated that it will increase its annual production capacity to 100 million tons in 2010 from an estimated 62 million tons this year. Senior Vice President, Dileep Srivastava said that the plan is to meet growing demand in the world market for coal. Bumi, which has two large coal producing subsidiaries - PT Kaltim Prima Coal (KPC) and PT Arutmin Indonesia in Kalimantan - has a 10% share of the world coal market at present. KPC has a reserve of 940 million tons of coal in East Kalimantan and Arutmin has a reserve 462 million tons in South Kalimantan. Srivastava said that the Bumi, which is owned by the

Bakrie Group will increase its coal reserve to 6.7 billion tons in 2010.

BERAU COAL TO INVEST US \$120M TO DOUBLE PRODUCTION : PT Berau Coal stated that it will invest up to US \$120 million over a period of five years to double its annual coal production to 30 million tons. Company president Bob Kamandanu stated that in past several years the company recorded an annual increase of 3 million tons in Coal production. The fifth largest coal producer in the country has coal mines in three locations in its 118,400 hectare concession in the regency of Berau in East Kalimantan. Kamandanu said that the company will open four new mines and build new infrastructure that will cost around US \$120 million. Berau, which has 299 million tons of coal in its reserves, produced and sold 12 million tons of coal last year, and for this year Kamandanu said that the company planned to produce 15 million tons and to set aside half a million tons for stocks.

T. RAD TO MAKE RADIATORS IN INDONESIA : Japan's T.Rad Co. will set up a radiator factory in Indonesia, bringing it online next summer to produce 60,000 units a year. The firm has been making radiators at its Thai plant and then shipping them to Indonesia, but transport costs have become prohibitive and switching to local production will also enable it to better respond to Indonesia's surging motorcycle and automobile output. T. Rad will invest an estimated 1 billion yen (US \$9.58 million) to buy a factory in Bekasi from a local manufacturer and start installing production facilities next January. The plan will first produce motorcycle radiators, then start shipping radiators for automobiles. T. Rad will also form an Indonesian unit and take a 50% stake. Its Thai production subsidiary will own 40% of the new unit, with the rest of the capital to be solicited from Japanese trading companies.

NEW CONTAINER TERMINALS IN BALIKPAPAN AND JAYAPURA : Indonesian state-owned port operator PT Pelabuhan Indonesia (Pelindo) IV will soon implement a plan to build new container terminals in Balikpapan in East Kalimantan and Jayapura in Papua. Tenders will be held soon with construction of the projects estimated to cost Rp800 billion (US \$87.2 million) possibly starting this year, Pelindo IV President Djarwo Suyanto stated. The existing container terminals in Balikpapan and Jayapura are too small. The new terminal to be built in Balikpapan will add capacity of 250,000 TEUs. In Jayapura the new terminal will have a capacity of 150 TEU.



RI - ICELAND TO ESTABLISH COOPERATION IN INCREASING FISHERY, MARINE SECTORS : The governments of Indonesia and Iceland have agreed to establish cooperation in increasing the capacities of their fishery and marine sectors. The agreement was contained in a Letter of Intent (LoI) signed by Indonesia's Marine and Fisheries Minister Freddy Numberi and Iceland's Fisheries and Agriculture Minister Einar Gudfinnsson on behalf of their respective governments. The cooperation in the LoI would begin to be realized in the near future by the sending of Indonesian fishery experts to a fishery training program at the United Nations University in Reykjavik, the formulation of a model for the installation of electronic log books at Indonesian fishery boats and efforts to cooperate in quality control. Indonesian fishery products exported last year reached more than 926,000 tons, contributing two percent of the nation's gross domestic product or US \$2.3 billion in 2007. In Iceland, the fishery sector was the backbone of the country's economy.

THREE DOMESTIC COMPANIES TO DEVELOP SAGO PLANTATIONS IN RIAU, WEST PAPUA : Three domestic companies are ready to develop sago plantations in Riau and West Papua Provinces to meet demand for raw materials to make bioethanol as alternative energy. The three companies were PT

Nasional Timber, PT Nusa Ethanolasia and PT Austindo Nusantara Jaya, Director General of Plantations at the Agriculture Ministry Achmad Mangga Barani stated. Barani added that PT Nasional Timber planned to develop 10,000 hectares of sago plantation in Riau after developing 10,000 hectares of sago plantations in the province. Both PT Nusa Ethanolasia and PT Austindo Nusantara Jaya would develop sago plantations in West Papua. PT Nusa Ethanolasia would develop 50,000 hectares of sago plantation. However, PT Austindo Nusantara Jaya had not stated the area of sago plantation to be developed.

FOREIGN INSURANCE FIRMS EYE EXPANSION : Five insurance companies from France, Singapore, the United Kingdom, Italy and Malaysia are seeking local partners to tap the increasingly lucrative Indonesian life insurance industry. Chairwoman of the Indonesian Life Insurance Association (AAJI) Evelina Pietruschka said that the companies had approached the association for information on qualified companies for potential partners. The association has forecast a 30% growth in revenue from premiums for 40 major insurance firms in Indonesia this year, to around Rp58 trillion (US \$6.3 billion). Last year, the industry experienced unprecedented growth of 67% from Rp26.5 trillion in 2005 to Rp44.4 trillion, according to the AAJI. The 40 insurance companies' combined assets were worth Rp101.2 trillion as of 2007, a 52% increase from the previous year.



TOURISM ARRIVAL IN FIRST QUARTER UP 15.7% : The number of foreign tourists visiting Indonesia rose 15.7% to 1.4 million in the first quarter of 2008 from a year ago, led by higher arrivals at the key resort of Bali. Tourist arrivals in Bali rose 28% to 159,886 in March from a year ago. The total number of foreign tourists visiting Indonesia was 502,041 in March, up 13.3% from 443,100 a year ago. Foreign tourist arrivals climbed to 5.51 million in 2007 from 4.87 million in 2006, but fell short of the government's target of 6 million. Indonesia hopes to attract 7 million foreign tourists this year, and has launched a "Visit Indonesia Year 2008" campaign.

FOREIGN TOURISTS ARRIVALS TO RI TO INCREASE BY 30 PERCENT : The Indonesian Minister of Culture and Tourism, Jero Wacik has predicted that the number of foreign tourists to Indonesia in the next couple of months will increase by 30 percent compared to last year's rate of increase. Indonesian Minister of Culture and Tourism expressed optimism that projected seven million foreign tourists could be reached. The minister added that the increase in the number of foreign tourists coming to Indonesia in January and February 2008 reached a rate of only 13-15 percent, but in June, July and August the increase may reach more than 30 percent. Thus, the average increase in the number of foreign tourists in 2008 reached 27 percent, which would be an increase from five million in 2007 to seven million as projected. In Bali, in the January-March 2008 period, the increase in the number of tourists to the island resort reached 25-27 percent compared to 2007.

RI'S TOURISM AND TRAVEL FAIR HOPES FOR US \$10 MLN IN DEALS : A group of tourism and travel industry associations will team up to hold what will be the country's largest travel and tourism exhibition. The exhibition, called the Indonesia Tourism and Travel Fair 2008, is expected to attract 10,000 local visitors and 150 foreign buyers. It is projected to secure a total of US \$10 million in business transactions. The Indonesian Minister for Culture and Tourism Jero Wacik said that the Indonesia Tourism and Travel Fair will be a place where industry players can showcase the rich variety of marketable tourism and culture sources. The fair would be supported by 300 participants and would exhibit a wide range of options for thematic holiday destinations, restaurants,

accommodation, transport, investment, museums and many others. The industry associations participating in the fair are the Indonesian Hotel and Restaurant Association, the Indonesian Tour and Travel Agents Association, the Indonesian Congress and Convention Association and the Indonesian National Air Carriers Association. The fair, which will be held between September 11 and 14, has the support of all tourism and travel authorities in the central and regional governments, as well as that of state-owned airline Garuda Indonesia Airways. According to Wacik, the government is expecting to attract seven million foreign visitors this year, worth a total of US \$6.7 billion in foreign exchange. The government said it would support the Indonesian tourism industry by holding promotional activities abroad, allowing more foreign airlines to land directly in Bali, issuing "visas on arrival" and preparing tourist destinations. For further information visit : www.itf2008.com

PRESIDENTIAL PALACE TOUR PACKAGES : The Indonesian State Secretariat and some related agencies will next May try out a plan to open the presidential palace in central Jakarta to the public or tourists in "Presidential Palace Tour" packages. The Minister/State Secretary Hatta Rajasa said that in the initial phase, the presidential palace tours will only be available at weekends. And it will be decided later whether they will be held on Saturdays or Sundays. Under the existing plan, a presidential palace tour would begin at the State Secretariat building which is part of the presidential palace complex. Hatta said that the program was not a new idea as it already existed during the Abdulrahman Wahid led administration.

JAMBI TO MAKE INDONESIA VISIT YEAR (VIY) 2008 A GREAT SUCCESS : Jambi province has been preparing local tourist sites and attractions as well as setting up support facilities and infrastructures in its effort to make the Indonesia Visit Year (VIY) 2008 program a success. Jambi Governor H Zulkifli Nurdin has brought all businesspeople dealing with the tourism sector in the province together calling on them to make concerted efforts to make the Visit Indonesia Year (VIY) and Visit Jambi Year (VJY) programs a success. The local chapter of the Association of the Indonesian Tours and Travel Agencies (Asita) and the local chapter of the Indonesian Hotel and Restaurant Association (Ihra) had expressed readiness to promote tourist objects both at home and abroad. This year, Jambi will hold various tourist events including the Muorojambi Temple Festival (May 28-June 2), the Batang Merangin Rafting Championship (May 25-30), the Lake Kerinci Festival (July 17-20) and the Jambi Cultural Week (December 10-15), besides organizing a meeting for all Indonesian men of letters. The local administration has made the Muorojambi Temple as an integrated cultural, historical, scientific, religious, culinary and agro tourist site. Head of the Jambi provincial Culture and Tourism office, Hj Mualimah Radhiana said the two-kilometer square tourist site has 86 small and big temples. The temple which is the historical heritage of the Sriwijaya Kingdom and the Islam Malay Kingdom in Jambi becomes an icon in the Visit Indonesia Year (VIY) program. Jambi is optimistic that the number of tourists it would attract during the VIY2008 would increase compared to the previous year when the figure was recorded at 616,000, including 5,000 foreign tourists. The local administration had also cooperated with the association of representative for the Indonesian Buddhists (Walubi) to hold the Muorojambi Temple Festival in May or in coinciding with the celebration of Buddha's birth on May 20. Besides historical and cultural tourists objects, Jambi will also attract tourists with natural tourist sites like the Kerinci Seblat National Park in Kerinci district. Kerinci district is one of Jambi's potential tourist destination as it has interesting natural tourist sites including Lake Kerinci, Lake Gunung Tujuh, Mt. Kerinci, Telun Berasap Waterfalls and hot water bathing places.

BALI TO HOST ARTS FESTIVAL FROM JUNE 14 - JULY 12, 2008 : Bali will hold the 30th Balinese Art Festival from June 14 to July 12, 2008. The festival would be highlighted with a number of

national and international events. The international events would include a world 'wayang' (puppet show) festival, an ASEAN ethnic music festival, a congress of Balinese culture and an arts performance show to be participated in by 12 teams from eight countries. At least 20 provinces from Indonesia would also join the festival by presenting their cultural arts and handicrafts.

BALI RECOGNIZED BY A TRAVEL MAGAZINE AS THE BEST ISLAND IN THE ASIA-PACIFIC REGION : Bali has been recognized by a distinguished travel magazine as the best island in the Asia-Pacific region for 2008. The resort island has garnered 20 travel and tourism awards since 1998. In response to the award, the Bali Tourism agency said that it had planned to include new destinations along tourist routes, adding that some areas in the eastern part of the island had been considered for further development to balance those areas located in the southern and western part of the island. The plan would also involve tourist agencies on the island. The Head of the Bali Tourism Agency, Gede Nurjaya said that the agency will encourage tourist agencies to create or modify tour packages to include the new destinations. One of the locations targeted as an eco-tourism spots is the coffee plantation area of Blanthi, in West Kintamani. The award was the second handed over by the Hong Kong-based travel magazine Destinasian. The same award was given to Bali in 2006 and was presented to the Indonesian embassy in Hong Kong. The agency had also planned to retrained its human resources sector to increase the comfort level on the island, which in turn would support the island's tourism industry. Bali has seen a promising increase in the number of tourists visiting the island in the first three months of this year; in March, as many as 151,000 tourists had visited Bali, which indicated an approximate 25 percent increase from last year's 120,000 visitors. Around 434,000 tourists have visited the nation's favorite tourist destination this year, with most tourists coming from Asian countries like Japan and China. The Bali tourism agency targeted around 500,000 tourists for 2008.

MISS TOURISM INDONESIA TO BE HELD IN INDONESIA IN JULY 2008 : Miss Tourism Indonesia will be held for the first time this year said El John foundation, the organizing committee. The event is supported by many parties including the Culture and Tourism Ministry. The registration has been opened since March 2008 with the applicants now reaching 100. The registration form is available at www.misstourismindonesia.com, Travel Club and in-flight Sriwijaya magazines. Through the a selection, the participants will be narrowed to 40 finalists, who will be quarantined starting from June 28 through July 5 at the Batavia Hotel, Jakarta.

INDONESIAN CONSULATE IN SYDNEY AND GARUDA INDONESIA TO ORGANIZE 'DISCOVER INDONESIA' : The Indonesian Consulate General in Sydney and national flag carrier Garuda Indonesia will jointly organize a tourism promotion event called "Discover Indonesia" for Australian tourism operators and mass media. Intended to support the Visit Indonesia 2008 program, the promotional event would be held for two weeks starting late July 2008. Representatives of 20 Australian travel bureaus and a number of newspaper and television reporters would be invited to take part in the program. They would be given the opportunity to visit and see some of Indonesia's eco-tourism potentials outside Bali, especially on Java, Sumatra, Kalimantan, Sulawesi and Papua islands. Garuda would among other things fly them to the Bunaken marine park in North Sulawesi, the center for orangutan protection in Kalimantan, and Toba Lake in North Sumatra. A total of 5.5 million foreign tourists visited Indonesia last year. Topping the list of countries where the tourists came from were Singapore with 1.46 million tourists, Malaysia (941,202), Japan (593,784), Australia (313,881), South Korea (423,098), China (335,172), Europe (528,171), and the United States (154,846).

Indonesia Newsletter (April 2008)



INTERIOR & CRAFT EXHIBITION 2008
THE ORIGINAL CRAFT OF INDONESIA FOR THE WORLD

JUNE 18 - 22, 2008 - JAKARTA CONVENTION CENTER

THE INDONESIAN INTERIOR & CRAFT EXHIBITION (ICRA) 2008 **18 – 22 JUNE 2008**

AT JAKARTA CONVENTION CENTER, JAKARTA , INDONESIA

ORGANIZED BY : PT DEBINDOMULTI ADHISWASTI, JAKARTA, INDONESIA

Visit : <http://www.debindo.com/icra2008/>

Welcome to ICRA 2008 : Indonesian extensive diversity of traditional and contemporary craft products have long been admired, appreciated and studied by world communities. For gaining more comprehensive information as well as procuring them as private collection or business investment, you are cordially invited to **The Indonesian Interior & Craft Exhibition 2008** at Jakarta Convention Center, Jakarta - Indonesia from 18 – 22 June 2008. Under the theme "The Original Craft of Indonesia for The World", ICRA 2008 is designed to be attractive, innovative, communicative and educative, by highlighting the inherited vast variety of Indonesian best quality craft products, produced by creative and skillful Indonesian art workers. The Interior and Craft Exhibition (ICRA) 2008 will showcase the best of Indonesian Interior Products and Craft that is well-known all over the world as one of the finest in craftsmanship. *Come and feast your eyes, mind and be inspired on the finest of Indonesia.*

PRODUCTS ON DISPLAY : • Assorted Crafts Products • Fabrics and Woven Products • Wood & Rattan Products • Embroidery • Furniture, Exterior and Interior Products • Leather-based Products • Metal Craft (including tin) • Fine Arts • Plaiting Crafts • Gifts Products • Fashion Accessories & Gems • Banks, Shipping and Delivery • Batik • Etc.

EXHIBITOR PROFILE : • Interior and Craft Producers under patronage of State-Owned Enterprises and Regional Government Administration • Small and Medium Enterprises and Cooperatives From All Over Indonesia • Banks, Financial and Supporting Services Companies.

VISITORS PROFILE : • Local and Overseas Buyers • Central and Local Government officials • Foreign Ambassadors and Trade Attache • Indonesian business communities • Professionals and Executives • International Trade Associations • Academics • Non-Governmental Organizations • Students.

For further information please contact the organizer : PT DEBINDOMULTI ADHISWASTI, Jl. Tebet Timur Dalam III No. 1 & 22, Jakarta 12820, Indonesia. Phone : (+62-21) 830 9716, 831 0656, 829 3677, 829 2661, 829 2667 Fax : (+62-21) 829 3680, 831 3073 Email : debindo@cbn.net.id Website : www.debindo.com

INDO
LIVESTOCK
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1 - 3 July 2008 - Jakarta Convention Centre - Indonesia

INDONESIA'S NO.1 INTERNATIONAL LIVESTOCK AND FEED INDUSTRY SHOW **"INDO LIVESTOCK 2008 EXPO & FORUM"**

July 1-3, 2008

at Jakarta Convention Centre, Jakarta - Indonesia

Visit : www.indolivestock.com

Indo Livestock Expo & Forum – Indonesia's Biggest Feed & Livestock Industry Show will be held at the Jakarta Convention Centre, Indonesia from 1-3 July 2008. Hosted by the Directorate General of Livestock Services of Department of Agriculture, Indonesia it will bring together over 8,000 trade buyers representing integrators, farmers, feed millers, meat and egg processors, retailers and distributors to view the latest technology, update on the latest issues, network and do business. Indonesia is today one of the largest poultry, fish and dairy production centre in Asia. It is well supported by a fast growing feed industry which has adopted modern processing technology. At the same time, the processed meat industry has developed rapidly as witnessed by the large selection of sausages, meat patties, nuggets and burgers available at supermarkets. The Government has embarked on a programme to minimize the effect of the avian flu by encouraging more hygienic production and processing of poultry. Farms have to adopt better bio-security measures and at the same time, modern housing systems to limit the spread of diseases. The demand for animal health products, production technology, processing and packaging systems is on the uptrend.

For further information contact the organizer : PT. Napindo Media Ashatama, Jl. Kelapa Sawit XIV Blok M1 No.10, Kompleks Billy & Moon, Pondok Kelapa, Jakarta Timur, 13450 Indonesia E-mail : didit@napindo.com Tel : 6221 8644756, 8644785 Fax : 6221 8650963

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